



City of Grand Island

Tuesday, February 17, 2009

Study Session

Item -1

Discussion Concerning Budget Amendment

Staff Contact: David Springer

Council Agenda Memo

From: Dave Springer, Finance Director

Meeting: January 27, 2009

Subject: Consideration of Amendment to FY2008-2009 Annual Budget

Item #'s: E-5 & F-2

Presenter(s): Dave Springer, Finance Director

Background

The City Council approved the FY2009 Annual Budget with Addendum #1 by Ordinance #9184 on September 9, 2008. At this time, after discussions with the State Auditor's office, it has been determined that a long standing procedure used in the budgeted appropriations calculation was not the preferred method, and that it would be appropriate to amend the current year's budget and revise the process for future state budget submittals.

Discussion

In the past, at fiscal year end, departments were asked to submit to finance open purchase orders and contracts on which services have not been completed. These future expenses, previously budgeted for, were then added onto the new year budget and titled "Revised Budget". The State prefers that these encumbrances be estimated and included in the appropriations at the time new budgets are submitted to the State, in September. The effect on our budgets will be to increase the expenditure or appropriation line. This in effect becomes a worst case scenario if every new appropriation and carry over encumbrance were totally spent, which has never happened. However, that is what the State wishes municipalities to be prepared for.

It is necessary to have adequate appropriations in order to let a contract or purchase order. As large projects may cross over two or more years, it will be necessary going forward, to rebudget any remaining work into the new budget for that year. Last year was unusual, as the contract for Capital widening and the engineering for at the Wastewater Treatment Plant was awarded to vendors, but only minimal work was completed, leaving nearly \$5.5 million to be encumbered. Total encumbrances for the proposed budget amendment are \$6,664,527. **These encumbrances were already provided for in the 2008**

Projected Disbursements column as it affects fund cash balances. Of that, \$715,994 is in the General Fund and reduces that fund's cash balance from \$ 6,001,104 to \$5,906,553.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the budget amendment.
2. Disapprove or deny the amendment.
3. Do nothing currently, but amend the budget later in the year if needed.

Recommendation

City Administration recommends that the Council approve the amendment to include those encumbrances as of September 30, 2008.

Sample Motion

Move to approve the ordinance providing for Amendment #1 to the 2008-2009 Adopted Budget as recommended.